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CARTELS AND TRUSTS IN HOLLAND IN THE SEVENTEENTH CENTURY.

THE cartel, or producers' syndicate, seems at first sight to be of recent origin. Economists generally assume that "trade agreements" are a consequence of the "multiplication of products" and the "reciprocal invasion of markets" that characterize our present epoch, and hence no one has as yet turned to history to examine certain forms of such agreements which are clearly defined and relatively ancient. As to trusts, they are believed to be the final result of the "concentration of capital"; and just as the term has only recently found its way into current speech, so it is assumed that the phenomenon itself dates only from yesterday.

Yet, how is it possible for one to believe that such agreements, such combinations, have not been known and practiced since time out of mind? An active competition among producers and among traders is nothing novel. Long before the nineteenth century those whose interests were at stake must have planned to limit the effects of their mutual rivalry, either by alliances with one another, in which each retained his individuality and in part his independence, or by complete and definite combinations.

We need not go back to Greek and Roman antiquity for evidence of such conditions. It would be useless to seek proof for our statement in a society so different from our own, especially since it would be necessary to slur over a period of great uncertainty in order to connect the remote past with the present. But of the time in which comparison becomes intelligible and possible the first half of the seventeenth century naturally attracts our attention, since in the more liberal and advanced countries of Europe it opens the modern era.¹

¹ The sixteenth century affords examples of rudimentary cartels under the name of "monopolies." "The butchers form monopolies," said Josse de Damhoudère,

For this period we have two valuable collections of sources in the *Records of the Company of the North*, compiled by the somewhat dull but conscientious editor, M. S. Muller,¹ and the documents and studies on the same subject by a young and brilliant historian, M. G. W. Kernkamp.² There are available, moreover, the texts published in the great work of Lieuwe van Aitzema³ and in the *Groot Placcaetboek*. Out of the various industries⁴ involved, I have chosen for consideration in this paper the fisheries at Spitzbergen and at Jan Mayen Island, and the traffic in oil in the Dutch Netherlands.

I.

The great trading companies which were founded in the Dutch Netherlands at the beginning of the seventeenth century arose chiefly from the necessity of association for the carrying on of a common enterprise. In regard to the trade with the East Indies, it has been said that in 1602 "without a general company, voyages so long and distant as those to the extreme Orient could not have been profitably carried on."⁵ It was for this reason that the existing small companies were replaced by a single powerful one. This consolidation was, to a certain degree, analogous to our "trusts";⁶ nevertheless, it

"which by means of common funds purchase butchers' cattle from all sides, keep them in their establishments, and bring them to slaughter only in certain quantities, according to size or number, in order that they may resell at a higher price, here and there, to one and another." — *Pratique judiciaire ès causes criminelles*, Anvers, 1564, p. 170. Cf. my series of articles in the *Journal des Économistes* on "Speculation in the Low Countries in the Sixteenth Century," III, "Engrossing."

¹ *Geschiedenis der Noordsche Compagnie*, Utrecht, 1874. Cf. also the *Social Weekblad* of January 9 and 16, 1897.

² *Stukken over de Noordsche Compagnie, overgedrukt mit Bijdragen en Mededeelingen van het Historisch Genootschap*, XIX, 263 *et seq.*

³ *Saken van Staet en Oorlogh* (The Hague, 1669), II, 356 *et seq.*

⁴ The organization and activities of the English "regulated companies" at an epoch somewhat earlier than this would furnish material for an interesting parallel study.

⁵ O. van Rees, *Geschiedenis der Staatshuishoudkunde in Nederland* (Utrecht, 1868), II, 385.

⁶ M. Muller sees in this a cartel (*Social Weekblad*, January 16, 1897); but he is mistaken. It cannot be considered a cartel, since the original companies formed a single company in which all the partners had identical interests.

differed greatly from the trust, since the interests of the country as a whole were at stake, not those of a narrow group of citizens. Every one could profit by the opportunity to take part in the common enterprise, and not the former partners alone. The case of the West India Company was similar. The organizers wished first of all "to cut the enemy to pieces"; in the second place, "to enrich the country."¹ It was necessary for them to concentrate all the forces of the nation in order to attain this end, in which patriotism was combined with business. Accordingly, an appeal was made to the good will of all.

The Company of the North, which is of especial interest here, was at first in the same position. "The English were seeking to prevent the voyage," and it was necessary that common action should be taken in order to offer energetic resistance to so dangerous a policy. In 1613 the English association known as the Muscovite Company decided to send to Spitzbergen seven ships in order to prevent by force all foreign competition; it desired to monopolize the fisheries in this distant region. It attacked the vessels belonging to the traders of Amsterdam, of Zaandam and of Enkhuizen—sank some and captured others. Only a solitary Zaandam bark was able to escape and to report the sad and alarming news.²

A concentration of energies was thus rendered necessary. The two companies which existed at Amsterdam united and planned either an early fusion with the company of Zaandam or the purchase of its vessels. On January 27, 1614, a petition was presented to the States-General, demanding a concession for a "general company." The legislature promptly granted the petition, recognizing that it afforded the best means for repairing the loss endured and for preserving this industry, which otherwise would have been placed in jeopardy and would have disappeared in the confusion.³ Thus with the desire of revenge upon the English ships was combined that of assuring a better fishing trade.⁴

¹ Van Rees, *op. cit.*, p. 74.

³ Groot Placcaetboek, I, 669.

² Muller, *op. cit.*, p. 74 *et seq.*

⁴ Van Rees, *op. cit.*, p. 175.

The concession was granted for two years. All who wished to join the company had the right to do so; they had merely to declare their intentions in the six weeks following the posting of the advertisement.¹ Hence the company was not a monopoly.² Though the official documents give us no information with regard to this company, which was not regulated by the legislature, as were the two India companies, nevertheless, it is quite certain that we have to do, not with an imperfect trust, but with a cartel, sufficiently clear in its origin and progressively clearer in its evolution.

The Company of the North was not, strictly speaking, a single company, but a number of companies, established in the principal centers of the country and connected with each other by a contract according to which matters of common interest were submitted to the deliberations of a general assembly. The company was divided into several "chambers." Each chamber had its own capital,³ controlled its own vessels and appointed the directors of its enterprises. It was frequently proposed to carry on the business "for common account," "with common funds,"⁴ but the opposition of the more fortunate chambers, especially that of Amsterdam, was always an obstacle to such a policy, which would have created a real "trust."

General assemblies existed from the first. Each chamber had a certain number of votes, according to its importance. The resolutions of the general assembly, "being designed to avoid all confusion and to defend⁵ the members against the power of foreign nations," were binding upon all. In case a dispute arose, it was without doubt referred to the States-General.⁶

Some time before the departure of an expedition for the northern regions, the parties interested decided how much

¹ Groot Placcaetboek, I, 669.

⁴ Muller, *op. cit.*, p. 84.

² Muller, *op. cit.*, p. 76.

⁵ *Ibid.*, p. 86.

³ In his enumeration, M. Muller confuses all the historical epochs. On this point (*op. cit.*, p. 83) he cites relatively late documents only. Nevertheless, the capital of the company must undoubtedly from the first have been divided among the various chambers; for in 1617 mention is made of "the participation of each in the company, under the respective chambers" (G. W. Kernkamp, *op. cit.*, p. 323).

⁶ Groot Placcaetboek, I, 673.

each should furnish in the way of vessels, sailors and harpooners. The contingents of the various chambers met on a fixed date. Voyages were usually made under escort, in order to oppose a more energetic resistance to foreign companies and to pirates. When the fishing had been completed the product was divided among the chambers, according to a fixed proportion.¹ Each party returned to his own place of business and offered the oil for sale on terms expressing the existing state of the market.

It was not long before the union of the chambers grew closer. At first the deliberations of the general assemblies were concerned especially with the conditions of fishing. Gradually two new subjects for consideration appeared: control of supply — “so much oil was not to be imported that it could not be used”² — and the fixing of a minimum selling-price for all.³ In 1618 the chamber of Amsterdam announced to the chamber of Enkhuizen “that it was disposed to send out small expeditions” in order to diminish the catch. From that time it is easy to perceive a feeling which afterwards became of increasing importance, and was soon to find very clear expression:

The greater the catch, the greater are the losses that must be borne. Has the fishing been bad, money is lost. Has the fishing been good, the expense is increased and the price depressed because of the abundance. In either case, there is a deficit: *it is necessary to limit the catch and to try to secure a sufficiency at a low cost; but not more than will be demanded.*⁴

An understanding as to the selling-price does not appear to have existed in 1617.⁵ But there is a passage which permits us to suppose that an understanding existed the following year. “We consider that the chambers which have oil should come to an agreement with each other; *thus they will not violate their contract*, for those who have sold all of their own can suffer no damage.”⁶

¹ Kernkamp, *op. cit.*, p. 271.

² *Ibid.*, p. 328.

³ *Ibid.*, p. 271.

⁴ Muller, *Social Weekblad*, January 9, 1897.

⁵ Kernkamp, *op. cit.*, p. 271.

⁶ *Ibid.*, p. 329.

In 1622 the cartel resulted in a monopoly in favor of the former partners in the Company of the North. At the time of the first renewal of the privilege, in 1617, the chamber of Amsterdam had sent to that of Enkhuizen twenty-five copies of an advertisement, informing every one that he might take share in the enterprise.¹ Five years later "the States-General found it well to give a patent to the Company of Greenland, to the exclusion of all other citizens," for whale fishing.² The "Company of Greenland" was another name for the Company of the North, whose members thus secured a monopoly which they retained down to the fall of the organization.

It was not the fault of the Company of the North that its interests were not protected by measures directed against importations from abroad as well as by an exclusive privilege as against Dutch citizens. On several occasions, the company, annoyed by the competition of foreign oil, demanded that either the importation of oil and whalebone should be prohibited — as had been done in England in the case of the latter article — or heavy customs duties should be imposed (at least six florins per hundred weight of whalebone and eight florins per cask of oil),³ leaving the oils of Russia alone to enter free of duty, since it was not desired to incur the risk of retaliation on the part of so valuable a customer.⁴ "Thus the English would be unable to import more oil, for they could not sell except at rates that excluded profit"⁵; and the state would secure an important source of income for the treasury.

But the States-General turned a deaf ear to these demands for protection, fearing that the company would abuse its position and impose upon the consumers exorbitant prices.⁶ In 1621 the company again vainly demanded an increase in the duties.⁷ The Dutch legislators, more clear-sighted than those of modern times, thus prevented the combination from becoming absolute master of the national market.

¹ Kernkamp, *op. cit.*, p. 269; *cf.* Groot Placcaetboek, I, 670.

² Groot Placcaetboek, I, 675.

⁵ Kernkamp, *op. cit.*, p. 325.

³ Kernkamp, *op. cit.*, p. 324.

⁶ *Ibid.*, p. 275.

⁴ Muller, *op. cit.*, p. 89.

⁷ *Ibid.*, p. 274.

To summarize, the Company of the North, originally a very imperfect cartel, became a combination progressively closer with lapse of time. To agreements concerning more especially fishing and its conditions were soon attached other agreements, preventing overproduction, fixing prices and assuring an advantageous sale in foreign markets. This situation led to a *monopoly*, which lasted until the fisheries at Spitzbergen and the Jan Mayen Islands became free to all citizens of Holland. Finally, those who were interested in the company made several attempts to do away with all foreign competition and to fix prices according to their wish ; but they met an energetic resistance on the part of the government, which was not at all duped by their seductive arguments.

II.

We shall now consider the cartels formed by the Company of the North with its more dangerous rivals ; at first with the "small company," then with the traders of Zealand and finally with the Frisian traders.

In 1614 two ships belonging to the chambers of Amsterdam and Enkhuizen discovered the island Jan Mayen.¹ Upon their return to Holland, the Company of the North did not demand of the States-General an act supplementing the original concession so as to cover the new territory. The motives for this omission have remained somewhat obscure ; but it appears that bad faith was not wholly absent. In the following year two directors of the company, "seeking rather their private gain than the general good," secretly and on private account sent to Jan Mayen a vessel which made a good catch there. Later, having severed connection with their former partners, they formed an association, which was known as the "small company," and expanded their operations. A complaint was addressed to the States-General by the Company of the North demanding the seizure of the vessels and their contents, the imposition of a fine on the owners and a more

¹ Cf. Kernkamp, *op. cit.*, pp. 276 *et seq.* ; and Muller, *op. cit.*, pp. 311 *et seq.*

extensive grant in its own favor. In 1616 a temporary agreement was made by the parties concerned in the business by which the products of the fisheries were to be distributed to each according to the profits of the vessels sent out.¹ After a great deal of hesitation, upon the promise given by the "small company" that by the sale of oil the market should not be spoiled for the Company of the North, the States-General finally decided (1617) that for four years "the two parties should have the right to fish at the two islands in question, with equal rights and without causing each other any annoyance."

The "small Company of the North," better known briefly as the "small company," was much like our modern syndicates. It was an association formed by merchants and commercial houses, designated in the documents by the characteristic term "consorts." The products of the fisheries were divided among the partners, who then disposed of them in trade. The rules of the company of 1622, of which we shall speak later, imply an inequality among the consorts, analogous to the inequalities among the chambers of the "great company."

During the four years in which the two companies were to enjoy in common the privilege of fishing at Jan Mayen Island, competition between them was not only unnecessary, but would have been positively detrimental. Hence, on May 25, 1620, an agreement was made fixing especially the conditions of fishing. A complete and definitive consolidation would seem to have been a natural consequence of this situation. But while a concession was demanded December 4, 1620, "in the name of the two companies," the principal shareholders of each company did not abandon the effort to secure an exclusive privilege; and up to 1622 a struggle, at times secret, at times overt, was kept up by the two companies.² At last, however, the cartel was formed. In 1621 complaint was made about the importation of foreign oil, "to the great prejudice of the good order in prices which the companies had established." This implies a perfectly definite agreement on this

¹ Cf. Muller, *op. cit.*, p. 317.

² Muller, *op. cit.*, pp. 320 *et seq.*

point.¹ And in 1620 we find an agreement for a joint sale ; instead of competing on the market of Rouen, the partners and the consorts sent a cargo of oil and divided the profits of the operation.

The official report of a meeting of the representatives of the "great company" and the "small company," held at Amsterdam, March 22-25, 1621, would repay perusal.² Decisions were made concerning lawsuits and concerning the sending of ships to Mauritius ; a statement was made of the quantities of oil sold since the last distribution ; accounts were settled, and, in a word, all matters of common interest were there discussed and adjusted.³

At the time of the organization of the Company of the North, Zealand had found itself in complete disagreement with the other provinces. It had never accepted the idea of a "general company," and had held steadfastly to its own opinion. The concession had been granted without its support ; and with the particularistic tendencies of the age, it had preserved its liberty. The Zealanders took advantage of this situation. In 1616 two vessels left the port of Vlissingen and directed their course toward the Arctic regions. The Company of the North protested in vain. But one of the ships of the Zealanders touched upon Jan Mayen Island and was captured ; the Zealanders, it was said, might disregard the concession, but they should not infringe upon the rights derived from *discovery*. This claim turned out to be well founded.

When, in 1617, the question came up as to a renewal of the concession of the Company of the North, the government of Zealand desired strongly that nothing more than a "regulated company" should be established ; the Hollanders, on the contrary, inclined toward a complete and definitive consolidation of the industry covering the whole country. The former party triumphed. January 24, 1617, the former concession was renewed ; three days later it was ratified in Zealand, and

¹ Kernkamp, *op. cit.*, pp. 287-288.

² *Ibid.*, pp. 336 *et seq.*

³ Muller, *op. cit.*, pp. 223 *et seq.*

finally, March 19, 1617, an understanding was arrived at between the traders of Zealand and the Company of the North. Let us summarize, article by article, this curious cartel :¹

1. The chambers of Holland shall participate in the voyage to the extent of three-fourths of the undertaking ; the province of Zealand to the extent of one-fourth.

2. In order to offer effective resistance to foreign nations, and in order to maintain prices, several general assemblies shall be held each year. In these shall be determined the number and the tonnage of the vessels to be sent out, as well as "all other necessary matters." During the first three years, Holland shall have four votes in the assembly and Zealand one ; during the fourth year, Holland shall have three and Zealand two.

3. The assemblies shall be held, for the first three years, in Holland ; the fourth year in Zealand.

4. The sessions shall be presided over by Hollanders the first three years ; the fourth, by a Zealander.

5. The representatives shall, on a fixed day, appear at a place indicated by the president.

6. The president shall give notice in advance as to the place for meeting.

7. The decisions adopted shall be most strictly respected by all, under penalty of a fine to be determined in general assembly.

8. It is forbidden to reveal the resolutions and secrets of the companies, or to derive personal profit from them, under penalty of 100 guildens, and eventually, of suit for damages.

9. The directors of the companies shall not establish the industry of whale fishing outside of the United Provinces.

10. Dispositions relating to the choice of directors.

11. The oil and whalebone is not to be sent to a foreign port before having been brought into the United Provinces.

12. The operating stock shall be fixed each year by the general assembly.

13. Each vessel shall carry at least eight cannons.

14. The fleet shall be under the command of a general or a commander.

15. The losses resulting from an attack on the high seas shall be shared by all the partners according to the importance of their shares.

¹ Muller, *op. cit.*, p. 423.

16. In order to avoid long discussions of final losses, each one shall submit, fourteen days after the departure of the fleet, an estimate of the goods which he has on board ship.

17. Every one shall have a right to visit all the vessels in order to prevent bad faith.

18. The various goods which are left near the coast, to be taken on board again in the following year, may not be taken possession of by any of the associates.

19. The discoveries of each shall be enjoyed by the rest.

20. The partners are to agree upon the fixing of wages on the ships.

21. Expenditures made in the common interest are to be distributed among all.

When the concession of the Company of the North expired in 1621, an agreement as to its renewal was at first impossible ; ultimately, however, on December 20, 1622, the three companies united to demand the prolongation of the patent. Under the new arrangement the situation was not perceptibly modified ; the distribution of products alone was changed. Although it cannot be said that the several cartels, grafted one upon another, constituted a single company, yet it may be said with certainty that the union between the several companies became closer.

Before the expiration of the concession, which took place in 1634,¹ Friesland announced to the States-General that it would refuse to ratify any prolongation of the patent. The precedent of Zealand easily explains and justifies this conduct. A Frisian company was soon formed, and it obtained from the provincial states a grant for twenty years. A public subscription was opened, and every one could invest whatever sum he desired. This procedure aroused violent antagonism. But since the right of the Frisians was generally recognized, there was nothing to do but to meet the evil fortune with good grace. A conference was held between representatives of the "great company" and the Frisian company, which resulted in an agreement quite analogous to that which we have described

¹ See especially Lieuwe van Aitzema, *Saken van Staet en Oorlogh*, II, 359 *et seq.*; and Muller, *op. cit.*, pp. 336 *et seq.*

above. The Frisians were to have a right to three thousand casks of oil out of a total fixed at twenty-seven thousand (art. 2). Three general assemblies were to be held annually (art. 9). "The assemblies should determine the proportions and the quantity of product to be taken from the fisheries, the wages of the harpooners, the number of shallops, their equipment, the command on the high seas, as well as all other matters" (art. 10). Discoveries made by any company were to be to its exclusive profit for five years ; afterwards were to be exploited by all the companies (arts. 19 and 20). Those who should violate these dispositions were subject to a severe penalty (art. 24).

Thus it was that upon the original cartel were grafted three principal cartels with rival companies, which had arisen successively within the country. The very clear opposition of interests renders the situation especially well marked and suggestive, and the existence of contracts fixing the rights and the duties of each party is of exceedingly great interest to us. An attempted agreement between the Dutch and the Danes furnishes an appropriate climax to the development.

Two years after the combination with the Frisians, Van Cracaw, chargé d'affaires of the Netherlands at Copenhagen, was requested, "with the pleasure and approbation of the Company of the North," to suggest to the Danish company the possibility of an agreement relative to the fisheries and the sale of products.¹ The two nations were operating in different fields with a certain number of vessels, and it was proposed that, to diminish the effects of competition, the foreign markets should be divided between them. The king received this offer very cordially ; but it had come too late, for the Dutch company no longer possessed its former vigor, and the project went no further.

¹ Cf. Muller, *op. cit.*, p. 89.

III.

Modern syndicates of producers do not differ at all from the complete cartels of the seventeenth century, such as that of the Company of the North with the Zealand traders. They are now, as they were then, agreements relative to production and selling-prices. The economic situation alone has changed; "products have multiplied," "markets have extended and consolidated" and, at the same time, "customs barriers have arisen." In such an environment cartels have naturally been destined to assume a great importance, and "trusts"—combinations inspired by the spirit of class—were certain to intensify the narrow "concentration of capital" of late years.

Socialists aim, perhaps, to prove that in the seventeenth century there was as yet no "overproduction." This is a mistake, for it was then a menace in consequence of the narrowness of the markets; the citations given leave no doubt on this point. But the socialists would make a mistake if they were disturbed by this observation, for the phenomenon is indeed an expression of "modern capitalism"; it first appeared in the seventeenth century in the most liberal countries of Europe, developing without great vigor in the eighteenth century, and finding its clearest expression in the marvellous age of inventions and of industry which began about the middle of the nineteenth century and continues in the present day.

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